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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 013004

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SUBJECT: PRC/NEPAL: BEIJING ASSESSING HOW TO ENGAGE WITH  
NEPAL'S INTERIM GOVERNMENT

REF: A. KATHMANDU 1576

[1](#)B. KATHMANDU 1563

[1](#)C. KATHMANDU 1562

[1](#)D. KATHMANDU 1555

[1](#)E. KATHMANDU 01398

Classified By: Deputy Chief of Mission David S. Sedney.  
Reasons 1.4 (b/d).

[1](#)1. (C) Summary: The eight-point agreement between the Seven Party Alliance (SPA) and the Maoists in Nepal could be a turning point in the peace negotiations between the two sides, a Chinese MFA official said. The SPA and the new government are aware that if they do not solve the Maoist question, the Maoists could determine their political survival, he stated. Beijing does not have contact with the Maoists, but it is currently assessing its next steps given the fluid nature of the situation. If the Maoists are part of the political mainstream and a potentially dominant factor in Nepali politics, then China cannot maintain an "ostrich policy," keeping its head in the sand, oblivious to the realities, Huang said. China's information on the Maoists and its leaders suggests that Maoist leader Prachanda has evolved over the past few years and is now part of a growing faction that advocates ending armed struggle. He said that the body language and tone of Prachanda and his colleagues at the recent press conference with SPA suggested they are extremely confident in their position. End Summary.

Pace of Talks Surprising--A Question of Political Will  
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[1](#)2. (C) The eight-point agreement (Ref A) between the Seven Party Alliance (SPA) and the Maoists could be a turning point in the peace negotiations between the two sides and represents a major opportunity for the two sides to put aside their differences, said MFA Asian Department Division Director for India, Nepal, Sri Lanka and Bhutan Huang Xilian. During a June 19 meeting, Huang told poloffs that he was very surprised at the pace of events in Nepal, noting that after 10 years of fighting the two sides were able to reach the eight-point agreement after only 10 hours of negotiations. Huang said that based on the code of conduct, the four-point agreement and the eight-point agreement, the two sides have clearly demonstrated that they have the political will to find a resolution

(reftels).

¶3. (C) The Maoists have played a decisive role in Nepal's political development for over a decade, Huang stated. The Maoists or "people's movement" have successfully overturned the Nepali parliament several times and now have overthrown the King. The SPA and the new government are aware that if they do not solve the Maoist question, the Maoists could determine their political survival as well, Huang opined. The true test of the SPA, however, will be how it reacts to what it perceives as the Maoists' gaining political control of the interim government and or the majority in the constituent elections, Huang stated.

Beijing Assessing How to Engage with Interim Government  
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¶4. (C) Beijing adheres to a policy of noninterference in the internal affairs of other countries, Huang maintained. Regardless who is in power in Nepal, China will maintain relations with all political parties. At present, Beijing does not have contact with the Maoists, but Beijing is assessing how to proceed given the fluid situation in Nepal. Huang said that determining China's next step is a very sensitive issue. At a minimum, China cannot have bad relations with Nepal because the two countries are neighbors, he said. If the Maoists are part of the political mainstream and a potentially dominant factor in Nepali politics, then China cannot maintain an "ostrich policy," keeping its head in the sand, oblivious to the realities, Huang said. The Maoists

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have periodically expressed interest in establishing contact with China. As an aside, Huang noted that China does not call the rebels Maoists, referring to them as the anti-government movement. China will have to find a new name for them because they are apparently no longer anti-government.

China Sees Prachanda as Advocate for Peaceful Change  
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¶5. (C) China has collected bits and pieces of information on the group and its leaders over the years, Huang stated. Beijing's assessment of Maoist leader Prachanda has evolved. Facing growing international pressure from anti-terrorism campaigns and the failure of the Maoist guerillas to take control of Nepal, Prachanda is, in China's view, part of a more moderate faction of the Maoists, apparently becoming an advocate for peaceful change, Huang said. Prachanda's growing faction endorses an end to armed struggle. Huang said the test will be if the Maoists actually give up their arms according to the newly reached agreements. Huang also contrasted the performance of Prachanda and his deputy Bhattarai with the SPA representatives at a press conference announcing the eight-point agreement, noting that Prachanda and Bhattarai were very eloquent and energetic while the SPA representatives were very low key. Huang said that Prachanda "frankly just outperformed the SPA." He assessed that this was a sign that the Maoists are extremely confident in their position.

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